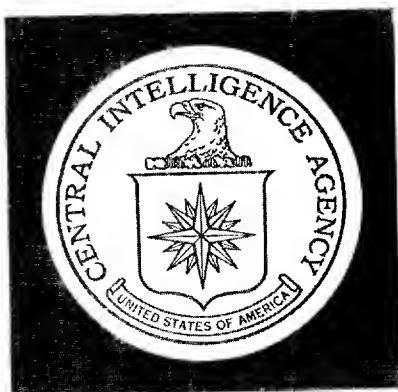


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Secret
43

20 May 1968

25X1

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SECRET

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CONTENTS

Vietnam: Situation report. (Page 1)

France: De Gaulle faces his gravest political crisis. (Page 3)

Czechoslovakia-USSR: Hard bargaining will continue on political concessions and economic aid. (Page 5)

Panama: National elections board expected to announce Arias' victory this week. (Page 7)

Nonproliferation Treaty: Amendments are urged in order to win UN approval. (Page 8)

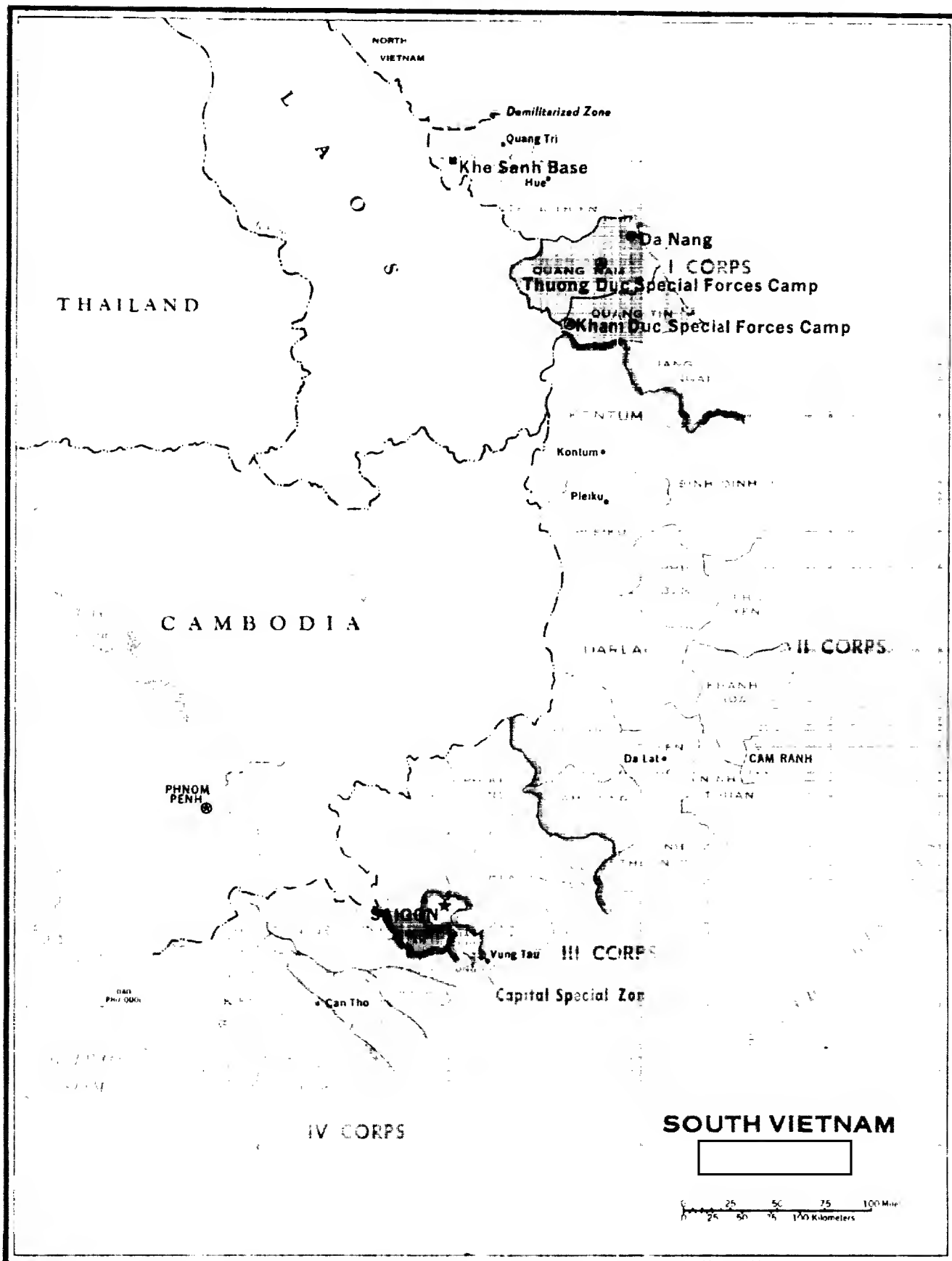
Uruguay: Communists intensify labor agitation to undermine government economic program. (Page 9)

Nepal: King's opponents offer to cooperate.
(Page 10)

Poland: Renewed antisemitic campaign (Page 11)

SECRET

SECRET



25X1

SECRET

SECRET

[South Vietnam: The Communists shelled Saigon on 19 May in the only significant action to develop from earlier indications of enemy offensive plans to mark Ho Chi Minh's birthday.

Eleven South Vietnamese were killed in the attack and 51 were wounded. There was no ground assault to follow up the shelling, but South Vietnamese troops reported three sharp clashes in Long An Province south of the city.

The heaviest fighting elsewhere over the weekend took place south and southwest of Da Nang, where a major battle appears to be shaping up. Preliminary official reports on the action in this sector indicate that at least 41 US Marines and over 350 Communist troops have been killed.

These contacts could mean that elements of the North Vietnamese 2nd Division, which overran the Kham Duc Special Forces camp last week, are trying to move into the coastal lowlands near Da Nang. The US Special Forces camp at Thuong Duc, situated on a main avenue of approach to Da Nang from the west, could come under heavy pressure.

On 19 May, US troops in the Khe Sanh area to the north reported sharp small-unit contacts for the sixth straight day with the apparently refurbished North Vietnamese 304th Division. So far, the engagements have resulted in relatively light casualties, but heavier fighting is anticipated.

A Communist directive, captured just north of Saigon last week, spells out the way in which enemy forces should regard peace negotiations. The main point of the document is apparently to remind Communist troops that they can expect little from diplomatic discussions unless decisive victories are won on the battlefield.]

(continued)

20 May 68

1

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【Other recently captured documents have revealed a similar line, indicating that the fighting-while-talking strategy is being promulgated throughout the country.

* * * *

The long-awaited announcement of Tran Van Huong's appointment as prime minister followed closely after the resignation on 18 May, at President Thieu's request, of Nguyen Van Loc and his entire cabinet. The remainder of the new cabinet has not yet been chosen, but Thieu is reported to have told the outgoing ministers that several of them will be reappointed.

Huong is one of the most widely respected civilians in South Vietnam, but the extent to which he can strengthen the government will not be known until the full cabinet is chosen. His presence, however, will almost certainly increase support from southern elements, and he is expected to appoint at least one minister with an organized following in the northern provinces. There are also initial indications that his appointment is viewed favorably by the militant Buddhists. [REDACTED]

[REDACTED] (Map)]

20 May 68

2

SECRET

SECRET

France: A mushrooming student and labor protest has presented De Gaulle with his gravest political crisis since the Algeria imbroglio of the early 1960s.

De Gaulle held an emergency meeting yesterday with key members of his cabinet to discuss public order in the face of the strikes that now have semiparalyzed France. The chief of staff of the armed forces indicated contingency plans are being made to bring in the army if the police and gendarmerie cannot handle the situation. Over 100 factories representing a wide variety of industries in virtually every part of the country are involved, including the transportation and telecommunications services. Trade union sources estimate over two million workers are striking.

The Communist-dominated General Confederation of Labor, after hesitating in the early stages, now is attempting to direct and exploit the unrest. Nevertheless, the tone of caution apparent in confederation statements reflects the dilemma French Communists face. They must avoid being outflanked by leftist extremists, or upstaged by their own rank-and-file union members. At the same time, an out-of-control labor and student revolt and consequent disorder in the streets could generate a strong conservative reaction against the Communists. Such a development would operate against the party's goals of bringing down the Gaullist government and sharing power with the non-Communist left within the established parliamentary system.

The Communist Party - Federation of the Left censure motion against the government scheduled for this week in the National Assembly has picked up support from left-wing Gaullist Rene Capitant. His defection could cause the handful of other left-wingers in the Gaullist ranks to follow suit. The government is still likely to survive, however,

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by gaining support from center deputies who would prefer the present government to a leftist one that would probably include the Communists.

De Gaulle is faced with the choice of resuming his earlier conciliatory line or of taking a tougher stance. He will not hesitate to use any of the many options he has to meet the threat. In a radio-TV address scheduled for 24 May, he will probably play on the public's fear of widespread disorder in an effort to undercut support for the students and workers. He can reshuffle the cabinet and promise more reforms.

As a last resort, he can declare a state of emergency under Article 16 of the constitution. Although the parliament cannot be dissolved during this period, when De Gaulle used the emergency powers during the Algerian crisis a precedent was established that a motion of censure could not be proposed at that point.

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Czechoslovakia-USSR: Czechoslovak reports of Soviet Premier Kosygin's meeting on 18 May with Prague's leaders suggest that both sides are still seeking a modus vivendi.

Kosygin and the Czechoslovak party and state leaders, led by Dubcek, discussed economic questions and particularly Prague's request for Soviet economic aid, according to the official Czechoslovak news agency. Kosygin apparently has not yet answered Prague's request, and hard bargaining probably will continue when talks resume in Karlovy Vary, where Kosygin went on 18 May. Despite Czechoslovak reports that the Soviet leadership has shown "understanding" for the Dubcek regime's activities, Kosygin is likely to demand a political concession, probably that the Czechoslovaks rein in the more extreme and vocal liberals.

[In a press interview yesterday, National Assembly chairman and presidium member Josef Smrkovsky indicated that the Czechoslovaks do not intend to cave in to Soviet pressure. Commenting on the political aspects of the talks with Kosygin--in which he participated--Smrkovsky stated that Prague "shall not retreat" from what it has decided to do.]

Kosygin's presence in Czechoslovakia until at least 28 May will add to the pressure already exerted on Prague by the Soviet military units still stationed along the Czechoslovak borders. The Czechoslovak party in particular will have to proceed cautiously in handling the controversial question of when to hold a party congress, at which the liberals hope to oust conservatives from influential positions. The party's central committee is scheduled to meet on 29 May to set the date for convening this congress.

[Smrkovsky, who is one of the leading liberal spokesmen, yesterday called upon the conservatives

20 May 68

5

SECRET

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to resign from their posts prior to the convocation of the congress.]

Defense Minister Grechko and other Soviet military leaders also held talks on the 18th with their Czechoslovak counterparts, led by Defense Minister Dzur. The Czechoslovak news agency stated that the two sides reached "absolute agreement on all fundamental questions," but the head of the ideological department of the Czechoslovak central committee reportedly stated earlier that Prague would reject an anticipated Soviet proposal to create a permanent Warsaw Pact political committee.

There is more evidence that Prague is interested in developing closer links with the West. An official of the Organization of Economic Cooperation and Development (OECD) who visited Prague several weeks ago reported that Czechoslovak officials would like to see Prague develop an "association" with OECD. The officials, who included party and Foreign Ministry representatives, reportedly were most interested in having Prague participate in OECD's research and technological activities. [REDACTED]

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Panama: The official count of the presidential vote may conclude sometime this week with an announcement of Arnulfo Arias' victory.

The national elections board began Saturday to tabulate the balloting of the elections on 12 May. The board, which appears to have a six-to-four majority in favor of the opposition National Union, may issue its decision by 22 or 23 May,

25X1 [redacted] Meanwhile, backers of government candidate David Samudio are working behind the scenes to buy off opposition representatives on the board in order to obtain their support for Samudio's attempts to rig the election results.

25X1 Samudio's prospects appear doubtful, however, now that National Guard commandant Vallarino has assured Arias [redacted] that the guard would sever its ties to Samudio. [redacted]

25X1 [redacted] Vallarino is no longer following orders from President Robles and has even threatened to turn the guard on Samudio partisans if they make any moves to provoke disorders. [redacted]

25X1

20 May 68

SECRET

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Nonproliferation Treaty: Changes in the draft nonproliferation treaty may be necessary to win a strong endorsement in the UN General Assembly.

After more than three weeks of debate since the assembly resumed, the Latin American members have presented to the US and USSR suggested amendments drafted by Mexico. These amendments include provision for international supervision of peaceful nuclear explosions, as well as measures to be taken to stop the "manufacture and perfection" of nuclear weapons. Mexico suggests that the US and USSR issue a third revision of the treaty, incorporating such changes, just before the vote for endorsement. In this way, Mexico argues, the floodgates would not be opened to amendments from the whole assembly.

The chairman of the committee now debating the treaty believes that it would be very difficult to close debate unless some changes are made, even if they are only minor. There is much resentment among the nonnuclear states about being presented with a fait accompli, and the chairman believes that it is important to show that the treaty was not frozen before the assembly had a chance to consider it.

About 60 states now appear to favor the treaty. Formal endorsement by the assembly would require a two-thirds vote, or 83 members. Some delegates believe that modest treaty changes, such as the amendments proposed by Mexico, would raise support to perhaps 100 votes of the total of 124.

Many African states are still wavering, and they may try to put through a motion to postpone action on the treaty until the next assembly in the fall.



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Uruguay: The Communists are intensifying labor agitation even though President Pacheco may impose emergency security measures.

A dramatic increase in strikes has prompted Communist labor leaders to intensify their efforts to undermine the government's economic austerity program. Communist affiliates of the National Labor Confederation will press for substantial increases in the salaries of government workers in order to thwart Pacheco's efforts to freeze salaries. Budget Director Lanza, however, has stated that the government would not raise wages "higher than it can afford."

Pacheco reportedly intends to invoke emergency security measures if the confederation refuses to accept government proposals. These measures authorize the President to prohibit public gatherings and to order arrests. The Communists seem prepared to go ahead with their agitation even if such measures are invoked, and reportedly plan a "Vietnam night" demonstration on 21 May.

There is no indication that the Communists or the labor leaders intend to get so rowdy as to invite a severe reaction. The government should be able to maintain control, but as yet it has no quick solutions to the underlying political and economic problems.

25X1

20 May 68

9

Approved For Release 2003/02/27 : CIA-RDP79T00975A011200080001-8

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SECRET

Nepal: King Mahendra's government has "welcomed" a recent offer of cooperation by political opponents but there are still serious obstacles to a reconciliation.

Ever since 1960 when King Mahendra ousted the Nepali Congress Party regime--Nepal's first elected parliamentary government--the party has opposed the King's authoritarian regime from Calcutta. Its pronouncements against the King's indirectly elected "panchayat" system of government and its attempts to undermine it have been a major irritant in Indo-Nepalese relations. In recent months, the Indians have stepped up efforts to arrange a rapprochement between the King and the exiles as a means of stemming the rise of Communist influence in Nepal.

On 15 May, the acting president of the Nepali Congress Party, Subarna Shumsher, publicly expressed sympathy for the convalescing Monarch and offered the party's "fullest and loyal cooperation" with the King in overcoming subversive interests. Subarna also announced that the party would no longer demand a new constitution.

Katmandu in response welcomed cooperation "under the system prevailing in the country"--the partyless panchayat system. The King will take a cautious look at the party's proposals but will not grant concessions that undermine his paramount authority.

Another complicating factor is the question of releasing political prisoners--particularly former prime minister Koirala--a concession that the party may insist on as the price for real cooperation.



25X1

20 May 68

10

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Poland: In an apparent resurgence of the Polish Communist Party's recent antisemitic campaign, World War II Jewish administrators are being condemned by party publicists for their "shameful" collaboration with the Nazis. A Polish press agency item alleged on 18 May that Jewish police in the Warsaw ghetto "often sent to their death their own sisters, brothers, and parents." The article claims that the Jewish functionaries "showed great eagerness in this terrible action." Several weeks ago the party's antisemitic campaign resulted in a number of purges of high-ranking military, government, and party functionaries of Jewish background.

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